SRI KRISHNA ARTS AND SCIENCE COLLEGE

COIMBATORE

CORPORATE ACCOUNTING

UNDERWRITING - ACTIVITY PROBLEMS

1. Super India Ltd. Issued 75000 equity shares. The whole of the issue was underwritten as follows: A-50%; B-25%; C-25%. Applications for 60000 shares were received in all, out of which applications for 15000 shares had the stamp of A, those for 7500 shares that of B, and those for 15000 shares that of C. The remaining applications for 22500 shares did not bear any stamp. Determine the liability of the underwriters.

2. X Ltd. Issued 10000 equity shares of Rs.10 each. The issue was undertaken as: A- 30%; B – 30%; C – 20%. However the company received an application for 8000 shares only. Determine the liability of the respective underwriters.

3. Gamma Ltd. Issued 25,00,000 equity shares of Rs.10 each at par. The issue was fully underwritten by Alpha – 40%; Beta – 40%; and Zeta – 20%. Applications were received for 24,00,000 equity shares. The marking on the applications were as follows: Alpha – 13,00,000 shares; Beta – 7,00,000 shares; Zeta – 2,50,000 shares.
   The under subscription of 1,00,000 shares will be taken up as
   (a) Alpha – 40000 shares; Beta – 40000 shares; Zeta – 20000;
   (b) Alpha – Nil; Beta Nil; Zeta – 100000;
   (c) Alpha – 33334 shares; Beta – 33333 shares; Zeta - 33333;
   (d) Alpha – 100000 shares; Beta – Nil; Zeta – Nil;
   (e) None of the above.

4. Ceeta Ltd. Issued 25,00,000 equity shares of Rs.10 each at par. The issue was underwritten by A, B and C as : A- 30%; B – 30% and C-40%. Applications were received for 23,00,000 equity shares. The marked applications were A – 350000; B -400000; C – 1350000.
   The under subscription of 200000 shares will be taken up as
   (a) A – 75000 shares; B - 125000 shares; C – Nil;
   (b) A – Nil; B – 75000 shares; C – 125000 shares;
   (c) A – 125000 shares; B – Nil; C – 75000 shares;

(d) A – 125000 shares; B – 75000 shares; C – Nil;
(e) None of the above.